

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1863-02  
Bill No.: SB 450  
Subject: Transportation; MoDOT; Motor Vehicles; Licenses–Motor Vehicles; Motor Fuel;  
 Taxation & Revenue–General  
Type: Original  
Date: February 19, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	\$91,654,963	\$9,200,000
Highway & Transportation/State Road Funds	\$0	\$174,753,957	\$513,507,521
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$243,349,213</b>	<b>\$525,707,521</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$40,652,435</b>	<b>\$73,137,774</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials with the **Department of Transportation (MoDOT)** assume the proposal will result in increased revenues generated by the motor fuel tax increase, the annual registration fees increase, and the sales and use tax rates increase. MoDOT assumes the revenue gains will be realized beginning January 1, 2003, following the November, 2002 election, and estimates revenue growth at 1.5%. Also, MoDOT assumes the proposal will avoid loss of revenue by eliminating the sunset clause for the six cent portion of the motor fuel tax set to expire in April, 2008.

Officials with the **Office of Administration–Division of Budget & Planning (BAP)** assume the redirection of the previously unallocated half of the motor vehicle sales tax will result in increased revenues to the State Highway & Transportation Dept. Fund and a loss to General Revenue beginning January 1, 2003. The estimated gain/loss is \$61,125,000 in FY 2003 and \$126,000,000 in FY 2004 (growth estimate of 3%).

**MoDOT** also notes that this legislation reduces other state agencies appropriations from the State Highways & Transportation Department Fund to zero on July 1, 2003, and estimates that this will provide another \$185,000,000 per annum to the Department. MoDOT assumes the full amount will be realized as savings to the fund in FY 2003. **BAP** assumes that the savings to the fund would materialize in FY 2004. **Oversight** also assumes savings to the fund beginning in the first full fiscal year following passage, FY 2004, and that the lost funding to other state agencies will generally be replaced by General Revenue. This is discussed further below.

Revenue from the phased-in six cent motor fuel tax increase is estimated by **MoDOT** to provide revenue increases of approximately \$41.6 million per one cent increase per fiscal year, plus annual growth of 1.5%. Revenue gains are projected at \$41,639,000 in FY 2003, following the two cent increase on January 1, 2003, and \$84,527,000 in FY 2004. Distribution of these funds is governed by Art. IV, Sect. 30(a)1 of the Missouri Constitution. Figures provided by **BAP** agree with this estimate.

**MoDOT** assumes repeal of the sunset clause for the six cent portion of the motor fuel tax set to expire in 2008 will avoid a loss of \$276 million per annum. This issue is not addressed by **BAP**.

The one-half percent sales tax increase is estimated by **BAP** to provide new revenues of \$173,550,000 in FY 2003 and \$362,200,000 in FY 2004 (growth estimate of 4.4%). Of these revenues, \$20,375,000 in FY 2003 and \$42,000,000 in FY 2004 is expected to be generated from motor vehicle sales, and is to be allocated according to the provisions of Art. IV, Sect. 30(b)3 of the Missouri Constitution. The remaining portion, from general sales, will go to General

ASSUMPTION (continued)

Revenue. Figures provided by **MoDOT** agree with these estimates. Additionally, MoDOT estimates an additional \$6.8 million in FY 2003 and \$14.0 million in FY 2004 will be generated by the one-half percent use tax increase on motor vehicles (growth rate of 3%). **Oversight** assumes these funds will also be allocated according to Art. IV, Sect. 30(b)3.

**MoDOT** estimates additional revenue from the increased annual registration fees for motor vehicles of \$61.5 million in FY 2003 and \$124.9 million in FY 2004.

Officials with the **Department of Revenue (DOR)** assume the increased registration fees, would generate \$85.5 million in FY 2003 and \$135 million in FY 2004. Fees in FY 2003 do not reflect half of the FY 2004 figure, despite a coverage period of six months compared to twelve, because 50% of owners are eligible for two year registrations in FY 2003. By FY 2004, revenues will have leveled out. **BAP** did not address this portion of the legislation.

**Oversight** has included fiscal impact from increased registration fees as provided by **DOR**, and assumes these revenues will be allocated according to Art. IV, Sect. 30(b)3 of the Missouri Constitution.

**DOR** estimates costs to implement the proposal at \$45,037. (This includes postage and programming costs.) DOR did not address motor fuel or sales tax increases.

Officials with the **Office of the State Auditor**, the **Department of Natural Resources**, and the **Department of Revenue** assume the proposal will result in the elimination of appropriations from the Highway & Transportation Dept. Fund, and that this funding would either be replaced by General Revenue, or the result would be an inability carry out assigned duties. **Oversight** notes that in response to similar previous legislation, officials with the **Office of the State Treasurer**, the **Department of Public Safety**, and the **Department of Economic Development** assumed that the proposal would result in the loss of funding for their agencies from the Highway & Transportation Dept. Fund. **Oversight** assumes that generally, savings to the fund would be offset by the cost of replacing the appropriations with General Revenue, and has included this in the fiscal impact of the proposal.

Officials with the **Office of the Secretary of State** did not respond to our request for fiscal note. Advertisement costs for the proposal would be \$4,380 per newspaper column inch for three printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. The proposal would be on the ballot for the November 2002 general election.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Revenues--All State Agencies</u>			
One-half Percent Sales Tax Increase-- General Sales	\$0	\$153,175,000	\$320,200,000
<u>Costs--DOR</u>			
Implementation of Rate Changes	\$0	(\$45,037)	\$0
<u>Costs--Various State Agencies</u>			
Redirection of Unallocated Half of Sales Tax on Motor Vehicles	\$0	(\$61,125,000)	(\$126,000,000)
<u>Costs--Various State Agencies</u>			
Funding to State Agencies Receiving Appropriations from Highway Fund	<u>\$0</u>	<u>\$0</u>	<u>(\$185,000,000)</u>
<u>Costs--Secretary of State</u>			
Election Advertisement	\$0	(\$350,000)	\$0
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$91,654,963</u></b>	<b><u>\$9,200,000</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 mo.)	FY 2003	FY 2004
<b>HIGHWAY &amp; TRANSPORTATION DEPT. AND STATE ROAD FUNDS</b>			
<u>Revenues—MoDOT</u>			
Two Cent Motor Fuel Tax Increase (70%)	\$0	\$29,147,000	\$59,169,000
<u>Revenues—MoDOT</u>			
One-half Percent Sales/Use Tax Increase— Motor Vehicles (75%)	\$0	\$20,377,250	\$41,998,000
<u>Revenues—MoDOT</u>			
Redirection of Unallocated Half of Sales Tax on Motor Vehicles	\$0	\$61,125,000	\$126,000,000
<u>Revenues—MoDOT</u>			
Increased Annual Registration Fees (75%)	\$0	\$64,104,707	\$101,340,521
<u>Savings—MoDOT</u>			
Funding to State Agencies Receiving Appropriations from Highway Fund	<u>\$0</u>	<u>\$0</u>	<u>\$185,000,000</u>
<b>ESTIMATED NET EFFECT TO HIGHWAY &amp; TRANSPORTATION DEPT. AND STATE ROAD FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$174,753,957</u></b>	<b><u>\$513,507,521</u></b>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Revenues—Cities</u>			
Two Cent Motor Fuel Tax Increase (15%)	\$0	\$6,245,850	\$12,679,050
<u>Revenues—Cities</u>			
One-half Percent Sales/Use Tax Increase— Motor Vehicles (15%)	\$0	\$4,075,500	\$8,399,700
<u>Revenues—Cities</u>			
Increased Annual Registration Fees (15%)	<u>\$0</u>	<u>\$12,820,941</u>	<u>\$20,268,104</u>
<b>ESTIMATED NET EFFECT TO CITY GOVERNMENTS</b>	<b><u>\$0</u></b>	<b><u>\$23,142,291</u></b>	<b><u>\$41,346,854</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Revenues—Counties</u>			
Two Cent Motor Fuel Tax Increase (14.75%)	\$0	\$6,141,753	\$12,467,733
<u>Revenues—Counties</u>			
One-half Percent Sales/Use Tax Increase— Motor Vehicles (10%)	\$0	\$2,717,000	\$5,599,800
<u>Revenues—Counties</u>			
Increased Annual Registration Fees (10%)	<u>\$0</u>	<u>\$8,547,294</u>	<u>\$13,512,070</u>
<b>ESTIMATED NET EFFECT TO COUNTY GOVERNMENTS</b>	<b><u>\$0</u></b>	<b><u>\$17,406,047</u></b>	<b><u>\$31,579,603</u></b>
<u>Revenues—City of Saint Louis</u>			
Two Cent Motor Fuel Tax Increase (0.25%)	<u>\$0</u>	<u>\$104,097</u>	<u>\$211,317</u>

FISCAL IMPACT - Small Business

This proposal will have a direct fiscal impact on small businesses by increasing sales taxes, fuel taxes, and vehicle registration costs.

DESCRIPTION

This act pertains to various funding means for state highways and transportation.

**GAS TAX INCREASE** - This act phases in a 6-cent gas tax over 6 years beginning January 1st following voter approval.

**SALES TAX INCREASE** - This act increases the General Sales Tax by one-half cent.

**FUNDING TO OTHER AGENCIES**- This act eliminates funding from the State Highways and Transportation Fund to other state agencies no later than July 1st following voter approval. The money will be credited to the state road fund for highway purposes.

**MOTOR VEHICLE SALES TAX** - Beginning January 1st following voter approval of the act, the half of the sales tax on motor vehicles that went to general revenue will be credited to the state transportation fund (226.225 - non-highway purposes).

**Registration Fees** - Raises registration fees to meet the 2000 Consumer Price Index.

DESCRIPTION (continued)

This act contains a referendum clause. This act is similar to SB 286, SB 396 and SB 305 (2001).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation  
Department of Revenue  
Department of Natural Resources  
Office of Administration  
    Division of Budget & Planning  
Office of the State Auditor

NOT RESPONDING

Office of the Secretary of State  
Office of the State Treasurer  
Department of Economic Development  
Department of Public Safety  
    Missouri State Highway Patrol



Jeanne Jarrett, CPA  
Director

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